

FISCAL NOTE

SB 769 - HB 1384

January 13, 2004

SUMMARY OF BILL: Provides that under this bill, no credit would be allowed as an admitted asset or as a deduction from liability to any primary insurer for reinsurance made, ceded, renewed, or otherwise becoming effective after June 12, 1947, unless the reinsurance contract clearly provides that in the event of insolvency of the primary insurer, the assuming insurer would pay the full reinsurance contract on the basis of a reported claim allowed by the liquidation court. The insolvency of the primary insurer would not decrease the value of the reinsurance contract in any way. Such payments by the assuming insurer would be paid directly to the primary insurer or to the liquidator of such insurer except: (1) Where the contract specifically provides another payee in the event of insolvency of the primary insurer; or (2) Where the assuming insurer has assumed the policy obligations of the primary insurer as its own with the consent of the policyholder. If a life and health insurance guaranty association elects to succeed to the rights and obligations of an insolvent insurer under the reinsurance contract, the assuming insurer's liability to pay covered claims would continue, as long as the guaranty association continues to pay the reinsurance premiums. In such cases, the assuming insurer would pay such claims as directed by the guaranty association or its successor. Any payments by the assuming insurer would discharge such insurer from further liability to any other party for such claim.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$900,000

It is assumed, under the provisions of this bill, that the two guaranty funds operating in the State of Tennessee will make larger assessments and insurance companies will claim such assessments as a credit against their premium taxes, resulting in a decrease in state revenues.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White".

James W. White, Executive Director